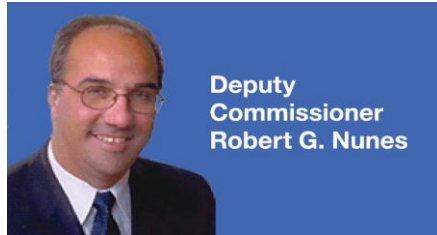


A Publication of  
the Massachusetts  
Department of Revenue's  
Division of Local Services

# City & Town

Amy Pitter, Commissioner • Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



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**City & Town** is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

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## A Best Practice: Financing Malden's FY2014 Contributory Retirement System Assessment

Richard Sciarappa & Tony Rassias - Bureau of Accounts

### The Massachusetts Contributory Retirement System

Massachusetts public employees are covered by a defined benefit pension plan administered by 105 local retirement boards including the Massachusetts State Retirement Board and the Massachusetts Teachers Retirement Board. The Public Employee Retirement Administration Commission (PERAC) oversees all these boards and all the systems are governed by [M.G.L. c. 32](#) which in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems. Currently, the system includes over 500,000 active workers and retirees.

The Massachusetts system consists of four membership groups, each with members eligible for formula driven retirement benefits upon meeting certain conditions. The system is funded by a combination of employer and employee contributions, investment returns, and state funding. For more information on the Massachusetts system, see the "Massachusetts Public Employee Retirement Guide" available on [PERAC's website](#).

As total pension costs grow, communities continue to seek ways to control the increase in their retirement system's assessed cost. This article reviews one Massachusetts city's FY2014 approach.

### **Malden's Contributory Retirement System**

The City of Malden's Contributory Retirement System (MCRS) is one of Massachusetts' 105 local retirement systems. Malden public employees, including Malden Redevelopment Authority and Malden Housing Authority employees are covered by a cost-sharing, multiple employer defined pension plan administered by the Malden Retirement Board. Excluded from coverage are teachers and certain school department administrative personnel whose pensions are administered by the Massachusetts Teachers' Retirement Board. Participation is mandatory for all applicable, full-time employees.

According to PERAC's 2012 Annual Report, as of December 31st, 2012, the MCRS had a market value of \$181.1 million, with 1,466 active and retired plan members. It had a funding ratio of 70.1% and an unfunded liability of \$76.5 million and is scheduled to be fully funded in FY2030. Malden's 2012 five year investment return history exceeded a composite rate for all 105 retirement systems.

The City's retirement assessment grew in recent fiscal years by 12% from \$7.5 million in FY2010 to \$8.4 million in FY2014 and has for many years been paid to the MCRS quarterly. As do almost all state retirement system assessments, Malden's is calculated by PERAC and includes within it basic actuarial assumptions such as membership and economic characteristics. Also included is the employer's assumed assessment payment date which, if assumed after July 1st, factors in an 8% premium (the investment rate of return assumption used by Malden in its January 1st, 2012 actuarial valuation). This is a common rate used by many Massachusetts systems. In effect, the City's quarterly payment includes interest for payments made after July 1st.

### **The Challenge**

In his spring of 2013 presentations before the Massachusetts Municipal Auditors' and Accountants' Association and the Massachusetts Society of Certified Public Accountants, Director of Accounts Gerry Perry reminded the attendees that beginning in FY2014, Chapter 165 of 2012 requires Cherry Sheet aid to be distributed monthly rather than quarterly. Noting improved cash flow

and investment potential, the Director further challenged them to find additional ways to positively impact their community's financial condition.

### **The Idea**

With the Director's comments in mind, Malden's financial management team including Treasurer Mark Good, Controller Chuck Ranaghan, Analyst Ron Hogan, and the City's independent Certified Public Accountant Tony Roselli of Roselli, Clark and Associates, contemplated whether there could be a significant savings to the City's FY2014 MCRS assessment if the entire bill was paid sooner simply using the cash from its new monthly Cherry Sheet distribution. According to Analyst Ron Hogan, "Paying the bill sooner using our own cash means that we don't have to pay the extra 8% built into the calculation." The team's idea had the full support of Mayor Gary Christenson.

### **The Research**

Upon the advice of the team, Kevin Morrison, Director of the Malden Retirement Board, contacted PERAC. The date of September 15th was chosen by the City as the new assumed assessment payment date for FY2014.

"By examining our FY2014 cash-flow, that was our optimal date," according to Treasurer Mark Good. PERAC's recalculation determined that the City would save about \$300,000 in FY2014. According to State Actuary Jim Lamenzo, "Paying the assessment in full early in the fiscal year rather than later lowers the total cost."

### **The Result**

Analyst Ron Hogan presented the new payment option to the Malden Retirement Board which gave its stamp of approval.

According to Controller Chuck Ranaghan, "Reserves are sufficient, cash flow is right and we received about \$9 million in July and August from our monthly distribution of Cherry Sheet aid that normally wasn't available until October 1st. It was a no-brainer for us. The City plans to pay the entire assessment as early as July 1st next fiscal year and estimates an additional \$200,000 savings, bringing the projected annual savings going forward to almost \$500,000."

According to Auditor Tony Roselli, "Even if a community is a member

of a county retirement system, paying the assessment earlier in the fiscal year rather than their planned payment schedule can save money and communities should consider it if their cash flow allows." However, he cautioned that although using cash from short-term revenue anticipation borrowing may also seem cost effective, such action could be seen in the negative by ratings agencies and must be thoroughly researched before doing so.

## **Conclusion**

The Malden approach for FY2014 presented here illustrates many best practices. However, we have highlighted their use of the monthly distribution of Cherry Sheet aid to lower their retirement system's annual assessment by significant dollars to encourage other communities to research the possibility for themselves.

This is a wonderful example of how partnerships work together to improve financial administration. On behalf of the Division of Local Services, congratulations and thanks to the Malden financial management team and the Malden Retirement Board for their idea and their efforts.

## **DLS by the Numbers**

In order to provide an update on the progress of the ongoing tax rate and certification season, below please find an overview of the ongoing process as of Wednesday, December 18th, 2013:

Preliminary Certifications: 114 Communities Approved

Final Certification: 111 Final Certifications (113 Submitted)

La4/ New Growth: 344 Approved (347 Submitted)

Tax Rates: 304 Approved

Balance Sheets: 243 Approved

Aggregate Free Cash Approved Total: \$790,989,737

## **Ask DLS**

This edition's *Ask DLS* comes from the Town of Canton and is regarding the auction of tax possessions:

**"We are planning on holding a public auction to dispose of three properties acquired from tax foreclosures. The auctioneer hired recommends we use the absolute auction process with no minimum bids to generate a lot of interest. My concern is that the high bid may not be enough to pay off the total owed including interest and other charges. If that were to happen, do we seek DOR approval to write off any remaining balances owed?"**

When a tax possession property is sold for less than its carrying basis (i.e. the amount owed), the adjustment is made in the revenue account. This is shown in sample General Fund journal entries 71 and 74 found on pages 139-140 of [Uniform Massachusetts Accounting System \(UMAS\)](#) manual for cities, towns, regional school districts and special purpose districts (July 2013). There is no abatement.

We'd like to hear from you. Please send any questions you may have to [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us).

## **New BLA Supervisor and Field Staffer on Board**

**Bob Bliss - Regional Manager**

Local Assessment Bureau Chief Joanne Graziano recently announced the appointment of a new field supervisor, Scott Santangelo, and a new field representative, Ryan Johnson.



Santangelo will take on a new role as Certification Field Supervisor for the Worcester and Springfield Regional office. Scott has worked at BLA for fifteen years and as one of the more senior staff, he has been asked to step in for various roles throughout his years at DLS.

In addition to his regular duties, he has been relied on to train new staff in the various offices, teach

assessors with the Mass Appraisal section of the DOR 101 class, conduct workshop presentations and manage and administer communities during their triennial certifications. Scott has professional designations in the industry, having obtained the IAAO designation, Assessing Administrative Specialist in 2006, and has maintained his MA Certified Residential Real Estate Appraiser license.

Scott is a 1985 graduate of UMass Amherst with a degree in Economics. He started his assessing career in 1992 as an independent fee appraiser for F. W. Bucklin Appraisal Co. in Walpole. In 1997, he worked as an appraisal technician in the Newton Assessor's Office, before moving to the Department of Revenue in 1998 as a BLA field staffer. He also is the sole proprietor of SBS Appraisal Company, which performs all types of fee appraisals.

Scott will supervise BLA field staff in a large geographic area that extends from Worcester west across Massachusetts to the New York State line. Scott and his wife live in Medfield. Scott enjoys an occasional round of golf, mountain biking, and spending time with his grandchild.



Ryan Johnson of Somers, CT is the new Bureau of Local Assessment Field Representative who will work out of the Springfield DLS office. Ryan will cover communities in Northern Franklin and Berkshire counties, many of which extend along the border with New Hampshire, Vermont and New York in the northwest corner of Massachusetts from Winchendon west to Hancock and Pittsfield.

A 2001 graduate of Westfield State College with a degree in Music Merchandising and Business Management, Ryan entered the appraisal industry after working many years in construction and remodeling. In 2004, he started his own business, RMJ Enterprises LLC, building additions, garages and commercial buildings and also doing real estate appraisal of 1-4 family homes in Western Massachusetts and Northern Connecticut for mortgage lenders and attorneys.

The experience he gained in his own business taught him the value of quality of construction and how that quality works to set the market price of a home.

Not seeing himself as a lifelong building contractor, Ryan began subcontracting work for Bay West Appraisers as a real estate appraiser in 2010 while continuing to also work in his construction and appraisal business.

Ryan is a certified residential appraiser in both Massachusetts and Connecticut and is FHA certified as an appraiser in both states. He has experience with Vision Government Services and Patriot Properties software used in local assessing offices and has a thorough understanding of home construction and components of residential dwellings including structural, ornamental, electrical, plumbing and HVAC.

Ryan must now learn BLA's approach to mass appraisal, and the challenge of that is exciting. "I can learn a lot here," Ryan said.

Ryan is a guitar player and drummer and also enjoys "anything outdoors" such as fishing and golfing. He and his wife have an 18-month old son.

## **BULLETIN 2013-06B: Property Tax Exemption for R&D Companies**

The Division of Local Services has posted on its website [Bulletin 2013-06B](#) (December 2013). The Bulletin updates information provided in *Bulletin* 2007-02B (February 2007) regarding the local acceptance personal property tax exemption for research and development (R&D) companies. It also explains a separate local acceptance personal property tax exemption for some single member limited liability companies (LLCs) engaged in manufacturing or R&D.

## **Locations? Locations? Locations?**

The Division of Local Services conducts trainings, workshops and seminars throughout the year across the Commonwealth. As an organization with offices in Boston, Worcester and Springfield, we make a concerted effort to accommodate our stakeholders in a

variety of locations and are always looking for different parts of the state to host these events.

In order to continue to provide low and no-cost learning opportunities, we are compiling a list of communities with free space available for future events. This could include a conference room in the library, city or town hall, a senior center, or any similar public building. Ideally, we are looking for a space that could hold 60 individuals in a classroom setting or 75+ in an auditorium setting. Wireless internet accessibility and overhead projectors are also appreciated.

We greatly appreciate any and all suggestions. If your community is willing to host a DLS workshop, event or training, please contact Training Coordinator Donna Quinn at [dlsregistration@dor.state.ma.us](mailto:dlsregistration@dor.state.ma.us).

## **December Municipal Calendar**

<b>December 15</b>	<b>Taxpayer</b>	<b>Deadline for Applying for Property Tax Exemptions for Persons</b> If tax bills are mailed after September 15, taxpayers have 3 months from the mailing date to file applications for exemptions.
<b>December 15</b>	<b>Accountant/ Superintendent/ School Committee</b>	<b>Submit Amendments to End of School Year Report to DESE</b> Last filing date to impact next year's Chapter 70 State Aid.
<b>December 31</b>	<b>Water/Sewer Commissioners</b>	<b>Deadline for Betterments to be Included on Next Year's Tax Bill</b> (M.G.L. Ch. 80, Sec. 13; Ch. 40, Sec. 42I and Ch. 83, Sec. 27)
<b>December 31</b>	<b>Selectmen</b>	<b>Begin to Finalize Budget Recommendation for Review by Finance Committee</b>
<b>December 31</b>	<b>Assessors</b>	<b>Mail 3ABC Forms to Charitable Organizations and</b>

		<b>Forms of List to Personal Property Owners.</b>
<b>December 31</b>	<b>Collector</b>	<b>Deadline for Mailing Actual Tax Bills</b> For communities using the annual preliminary billing system on a quarterly or semi-annual basis, the actual tax bills should be mailed by this date.
<b>Final Day of Each Month</b>	<b>Treasurer</b>	<b>Notification of monthly local aid distribution.</b> Click <a href="http://www.mass.gov/treasury/cash-management">www.mass.gov/treasury/cash-management</a> to view distribution breakdown.

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